

African Successes

Many observers take a dim view of Africa's prospects. Corruption, colonial legacies, ethnic divisions, and other deep-seated, complicated factors are seen as holding back economic growth. But is that view accurate? Could new signs of progress be emerging?

The NBER's African Successes Project sought to answer these questions. Launched in fall 2007 with generous funding from the Bill & Melinda Gates Foundation, and involving 100 researchers spanning multiple continents, this project sought to identify and investigate countries and settings that had experienced strong economic growth and policies that had succeeded in achieving their objectives. Where is progress emerging? Which factors have put some African countries on a path to better governance and improved human development? To what extent are the accomplishments of these nations sustainable and transferable to other African countries? What are the lessons learned?

The 11 summaries presented here are examples of the 39 distinct studies that composed the African Successes Project. The findings can inform international and national policymaking, and can help to steer Africa toward more rapid and inclusive economic development.



Online Resources

The full papers are available on the NBER website, <http://www.nber.org/booksbyseries/africa.html>

NBER also created a portal of public-use data sets on Africa to advance the field and connect researchers. <http://www.nber.org/africa/>

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Sierra Leone

75%

Rise in GDP per capita
between 2000 and 2010

Based on the paper, "Healing the Wounds: Learning from Sierra Leone's Post-War Institutional Reforms," by Katherine Casey, Rachel Glennerster, and Edward Miguel

Despite the Odds, Meaningful Political and Economic Reform Proved Possible in War-Torn Sierra Leone

Emerging from civil war in 2002, Sierra Leone faced a daunting recovery: an estimated 50,000 Sierra Leoneans dead, and over half of the population displaced and emotionally and physically scarred. A legacy of chronic poverty and widespread corruption only compounded the devastation. Yet despite these obstacles, today the country's economic and political rebound has defied expectations, in part as a result of large-scale institutional reforms.

The story of that rebound is a nuanced, and surprising, one. War, for example, did not destroy the capacity for local collective action in Sierra Leone, nor did ethnic diversity hinder local cooperation and collective action, contrary to much past research. While ethnicity plays a dominant role in politics, voters in Sierra Leone were willing to cross traditional ethnic allegiances when they had good information about candidates. Institutional change was also possible. After the government gave more power to local governments, access to schools, health clinics, good roads, and drinking water improved significantly. In contrast to institutional reforms, smaller scale efforts to change social norms were less successful. Community-driven development had little impact on empowering women and youth, for example.

Agriculture

10 years

The lag between
R&D investment and
productivity gains in
agriculture in Ghana

Based on the paper, "The Decline and Rise of Agricultural Productivity in Sub-Saharan Africa Since 1961," by Steven Block

Agricultural R&D Explains the Majority of Productivity Growth in Sub-Saharan Africa

Agriculture is central to the lives of most Africans, and high and sustained rates of agricultural growth are critical to poverty alleviation. Since the early 2000s, agricultural productivity (as measured by total factor productivity, or TFP) has grown more than four times faster than in the previous 25 years. With the exception of East Africa, every region has seen a higher rate of growth since 1982 than during the preceding 25 years. Despite this progress, agricultural TFP growth in Africa lags substantially behind that of other developing regions.

Expenditures on agricultural research and development (R&D) explain more than half of Africa's TFP growth. However, improved policymaking at both the macroeconomic and sectoral levels, such as currency trade policy reform, has also played an important, though smaller, role. Political instability has had a negative impact. Had it not been for civil wars, TFP growth would have been 11 percent greater.

African Successes Project Chairs

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Simon Johnson is the Ronald A. Kurtz Professor of Entrepreneurship at the Sloan School of Management at the

South Africa

1.5%

Average annual rise in real GDP per capita since 1994 democratic elections

Based on the paper, "Fifteen Years On: Household Incomes in South Africa," by Murray Leibbrandt and James Levinsohn

Household Incomes in South Africa Have Risen Modestly but Unequally

It has been 21 years since the end of apartheid in South Africa. The first five years following its end were particularly difficult, economically, for South Africans. The subsequent decade saw improvement, though the gains were not distributed equally.

African households (80 percent of the population) saw a 26 percent increase in household income and whites saw a 28 percent increase. Colored households saw household incomes rise 8 percent, and Asians, 5 percent. While all groups saw increases, a closer look by income distribution shows that Colored households in the bottom half of the distribution saw minimal, if any, gains. Also, while income gains were higher for African households, those at the bottom and top one-third of the income distribution saw the largest gains.

Strong state spending on education and social supports has helped boost incomes. The child support grant introduced in 1998 has become a significant income source, particularly for the poorest families. However, rising unemployment — which nearly doubled in the last two decades — dampened income growth, particularly among those in the lowest income tiers.

Malawi

67%

Projected growth in population of 15-19-year-old girls in Malawi between 2005 and 2020

Based on the paper, "Girl Power: Cash Transfers and Adolescent Welfare. Evidence from a Cluster-Randomized Experiment in Malawi," by Sarah Baird, Ephraim Chirwa, Jacobus de Hoop, and Berk Özler

Providing a Stipend to Girls Leads to Better School Performance and Health

Adolescent girls in developing countries are considered to be an important target group for policymakers. Interventions targeted to girls improve their welfare, but they also can benefit future generations. Toward that end, the Zomba Cash Transfer Program in Malawi provided girls and their parents a significant stipend each month, conditional on the girls attending school regularly. Another group received the money without conditions.

The stipend with conditions attached improved school performance, enrollment, and participation in health training. Girls who received the conditional stipend and were in school when the program started also reported a preference to delay having children and to have smaller families, but there was no observed impact on pregnancy among this group. The unconditional stipend, in contrast, had a smaller impact on enrollment but led to significant declines in marriage and pregnancy. Among girls who had previously dropped out of school but returned with the conditional stipend, marriage and pregnancy rates were lower than in the control group. The program led to improved health and diet, and generally enabled girls to improve their access to education.

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Burkina Faso**49%**

Increase in
preventive care visits
with conditional
cash transfers

Based on the paper, "Alternative Cash Transfer Delivery Mechanisms: Impacts on Routine Preventative Health Clinic Visits in Burkina Faso," by Richard Akresh, Damien de Walque, and Harounan Kazianga

Conditional Cash Transfers Encourage Parents to Seek Preventive Health Care for Their Children

Conditional cash transfer programs are one of the most common types of government welfare interventions in developing countries. In such programs, families are given a stipend in exchange for taking specific actions such as taking their children for regular checkups or ensuring they enroll in school. In this "top-down" approach, organizations set goals for poor children and provide incentives to their parents to achieve these objectives. In contrast, unconditional cash transfer programs attach no strings and assume that when parents have more scope in their budget, they will find ways for their children to thrive.

A study of both types of programs in rural Burkina Faso under the Nahouri Cash Transfers Pilot Project (NCTPP) found that conditional programs are more effective in achieving specific goals. Children in families that received conditional cash transfers had an additional 0.43 routine preventive health clinic visits in the prior year compared with a control group. This was 49 percent more than the average number of visits among the control group children. The outcomes did not vary by whether the money was given to fathers or mothers, between extremely poor and moderately poor families, or between boys or girls. In contrast, unconditional cash transfers given to either fathers or mothers had no effect on clinic visits.

Zambia**54%**

Share of pregnant HIV+
women in Sub-Saharan
Africa who by 2010
had received drugs to
prevent mother-to-child
transmission of HIV

Based on the paper, "Prevention of Mother-to-Child Transmission of HIV and Reproductive Behavior in Zambia," by Nicholas Wilson

Preventing HIV in Zambia

Preventing the transmission of HIV from mother to child is one of the most effective ways to limit the spread of HIV/AIDS. Under an approach implemented in Zambia, HIV-positive pregnant women receive a single antiretroviral medication at diagnosis and a second dose at the onset of childbirth, and the infant receives one dose during the first two weeks of breastfeeding. Clinical studies indicate that this reduces the cumulative risk of mother-to-child transmission from 45 percent to approximately 3 percent.

In Zambia, the large-scale expansion of this service not only contributed to a mother's increased understanding of mother-to-child transmission and the treatment protocol, but it also was associated with a 10 percent reduction in mortality rates during the infant's first year of life. The effect was particularly pronounced among babies of mothers aged 15-19. The strategy was also associated with a 5 percentage point decline in pregnancy rates among all women, both HIV-positive and not. Again, the effect was concentrated among younger women (aged 15-19 and 20-29), and in this case among less-educated women as well.

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Founded in 1920, the National Bureau of Economic Research (NBER) is a private, nonprofit, nonpartisan research organization that is headquartered in Cambridge, Massachusetts. The NBER is dedicated to promoting research that enhances understanding of the national and international economy among policymakers, academics, and in the business community. More than 1,300 professors of economics and

Kenya

Kenya's M-Pesa Mobile Banking Service Is Used Largely for Cash Transfers, Not Savings

4

Number of person-to-person transfers per month for the typical unit of e-money

Based on the paper, "Mobile Banking: The Impact of M-Pesa in Kenya," by Isaac Mbiti and David N. Weil

Mobile phones are increasingly common in Africa. Approximately six in ten Africans have mobile phone coverage, and there are ten times as many mobile phones as land lines. M-Pesa in Kenya is a pioneering mobile-phone-based money transfer program, with more than 17 million active users, roughly 80,000 local outlets, and total person-to-person transfers of more than \$10 billion since its inception in 2007. Many people transfer money to family members in distant locales, where once they would have used the post office, costly transfer services, or help from friends.

M-Pesa has had a significant impact on financial behavior. It has lowered the cost of transferring money, particularly from urban to rural areas, increased the frequency of transfers, encouraged the use of banking services, and decreased the use of informal saving mechanisms. However, people do not use their M-Pesa accounts as a place to store their wealth. The typical transaction is a cash deposit, followed by a single person-to-person transfer, followed by a cash withdrawal by the recipient.

Kenya

Reliability and Quality of Banking Are Key to Greater Use

18%

The share of people who actively used a savings account, although 63% opened one

Based on the paper, "Challenges in Banking the Rural Poor: Evidence from Kenya's Western Province," by Pascaline Dupas, Sarah Green, Anthony Keats, and Jonathan Robinson

Expanding access to banks for the rural poor can help them save money for unexpected emergencies, as well as help individuals develop credit histories for larger purchases. Technological advances have allowed banks to reach people through mobile applications and other options. Yet just having access is rarely enough. Although banks are willing to expand services, customers are still often reluctant to use them.

In an experiment that waived sign-up fees, 63 percent of people opened an account, but only 18 percent actively used it. Lack of trust and unreliable service were the main reasons reported for not using the account. Withdrawal fees were also prohibitive. In another experiment, only 3 percent applied for a loan after eligibility requirements were lowered, mainly because potential borrowers did not want to risk losing their collateral. Reducing fees, in other words, is not enough. Stronger consumer protection and better information on services might help draw more people into the financial system.

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Exports

48%

Average share of the single largest export good in the exports of 37 African nations

Based on the paper, "African Export Successes: Surprises, Stylized Facts, and Explanations," by William Easterly and Ariell Reshef

African Export Patterns Mirror Those in Other Nations

African nations are often stereotyped as passive commodity producers, with a country's export revenues depending mainly on its commodities and the prices they fetch on the world market. In fact, the pattern of exports from the continent is similar to that found elsewhere in the world, with a small number of "big hits" dominating each country's exports. The set of "big hits" changes surprisingly rapidly over time, and these changes in export focus are not driven primarily by commodity prices.

In Africa as elsewhere, new exports emerge for a number of reasons. Some successful new exports result from moving up the quality ladder, for example from low-quality coffee beans to fully washed, high-quality beans. Export success can also spring from a strong comparative advantage, trade liberalization, and technological upgrades. Foreign ownership also improves the chance of a big hit, such as Heineken's direct investment in Bralirwa brewery in Rwanda. Ethnic networks are also a boon. An exporter of prawns from Lake Victoria was able to tap an Indian connection in London in order to expand and later launch an entire fish exporting industry. Personal foreign experience of the entrepreneur also increases the odds of success. Other successes are triggered by more idiosyncratic factors such as entrepreneurial persistence, luck, and cost shocks.

Informal Economy

16.9%

Informal firms that have ever had a commercial loan

Based on the paper, "The Unofficial Economy in Africa," by Rafael La Porta and Andrei Shleifer

The Unofficial Economy in Africa Remains Important

Informal economic activity is common in developing countries, accounting for half or more of the total output in some areas. Informal firms are much smaller and much less productive than formal firms, and they sell to very different customers. They rarely advertise, have less capital, and rely less on public goods such as police protection.

In Africa, the informal economy is distinguished by lower-quality goods. Informal firms occupy a very different market niche than formal firms precisely because there is very little demand for their products in the formal sector. Formal-sector firms are run by much better educated managers, they tend to have more capital, market their products, and use external finance to grow. Typically, informal businesses do not grow into formal-sector businesses. As the economy develops, the informal economy declines. Nonetheless, informal firms play a crucial role, supporting the livelihood of billions of poor people. Strategies that keep informal firms afloat and allow them to become more productive can therefore play a role in alleviating poverty.

Tanzania

64%

Rise in per capita GDP between 1990 and 2008, despite limited aid

Based on the paper, "Is Tanzania a Success Story? A Long Term Analysis," by Sebastian Edwards

Tanzania's Success: A Long Time Coming

Since 1995, Tanzania has made remarkable progress in improving social conditions, curbing inflation, and stabilizing the economy, largely supported with aid from the International Monetary Fund, the World Bank, and other multilateral and bilateral organizations.

But a longer view suggests a more cautious view on the role of aid. Between 1967 and the mid-1980s, the aid flowing from international aid organizations to Tanzania may have hindered rather than helped development. Various policies supported by aid organizations contributed to the country's economic decline during this period. Despite being one of the highest recipients of foreign aid in the world, Tanzania's deficits and inflation climbed, international reserves dwindled, and the economy all but collapsed. With the curtailment of aid in the early 1980s, the government changed course and by 1995 began the rebound that continues today. By the late 1990s, foreign aid helped spur strong recovery. These radically different outcomes in different time periods point to the importance of taking a long view when assessing the impact of aid.

Papers in the NBER African Successes Project

Forthcoming in a set of four volumes entitled *African Successes*, to be published by the University of Chicago Press. <http://www.nber.org/booksbyseries/africa.html>

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